

2002 Annual Report Analysis
For
Relocation Towers

Research & Analysis Section
Transportation Division

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INTRODUCTION

Counties in Illinois can elect coverage under the Relocation of Trespassing Vehicle Law, which gives the Illinois Commerce Commission the authority to supervise and regulate the removal of trespassing vehicles from private property. Commission authority does not extend to tows of vehicles parked on public streets, tows by companies repossessing vehicles or tows directed by police. In 2002 the Commission was responsible for the regulation of 55 licensed commercial vehicle relocators, who operated within the five counties of Cook, DuPage, Will, Kane and Winnebago.

As a result of a rate increase petition filed on behalf of the relocation towing industry, the Commission granted a towing and storage rate increase from \$105 to \$125 per tow and from \$15 to \$25 per day for vehicle storage after the first 24 hours. Because the new rates were effective in April of 2002, the impact of the increase is only partially reflected within the 2002 annual reports.

All licensed relocation towers are required to file an annual report by May 15th of each year specifying their relocation and non-relocation financial and operational information. Part I of the Annual Report collects general information about relocators and non-relocators operations for towing companies that are located in the five counties regulated by the Illinois Commerce Commission. Part II gathers information about employees and equipment such as, the number of employees and pieces of equipment owned or leased. Part III requests operational information including the total number of tows and relocation tows, the number of vehicles and relocation towed vehicles that were stored (claimed and unclaimed) and the number of non-expired relocation towing contracts. Part IV requests financial information. Operating revenue and expense information is reported for the relocation business (towing, storage and other relocation activity), all other operating activity not related to relocation towing and total company results for the business as a whole. The following analysis is based on operational and financial information derived from the annual reports of 55 licensed relocators for calendar year 2002.

ANALYSIS OF ANNUAL REPORT PART I: GENERAL INFORMATION

As shown in FIGURE 1, eight of the 55 regulated companies, or 15 percent, do solely relocation towing and six companies, representing 11 percent of the industry, did not report any relocation towing activity. One of these companies was totally inactive, reporting no revenue from any business activity.

All but 3 of the companies that engage in other business in addition to relocation towing use the same facilities or equipment for both relocation towing and the other business activity. As shown in FIGURE 2, for half of the companies, relocation tows account for less than 25 percent of their towing activity.

ANALYSIS OF ANNUAL REPORT PART II: EMPLOYEES & EQUIPMENT

It is unlawful for a relocater to employ any person as an operator or dispatcher who does not have a valid operator or dispatcher's employment permit. The Commission issues operator and dispatcher's employment permits only after police background checks. In 2002, the 55 relocation towers reported employing 511 operators and/or dispatchers and 230 other employees. In 2002, the 55 relocators reported using 345 power units of which 76 power units or 22 percent were leased.

ANALYSIS OF ANNUAL REPORT PART III: OPERATIONAL INFORMATION

Facilities

According to Illinois statutes, relocators must provide security for all storage lots and maintain personnel on call during business hours in order for vehicle owners to access the storage facility. Approximately 20 percent of the licensed relocators have more than one storage facility and three relocators have three storage facilities.

Of the 23,228 trespassing towed vehicles that were placed into storage for more than 24 hours, approximately 44 percent, or 10,122 vehicles, went unclaimed by their owners.

Towed & Unclaimed Vehicles

In FIGURE 3, the first pie chart on the left shows that 84,226, or 29 percent, of the 292,659 vehicles towed last year were placed into storage for more than 24 hours. The middle pie shows that 23,248 or 20 percent of the 117,606 relocated trespassing vehicles towed were placed into storage. The pie chart on the right shows that 61,352 vehicles or 35 percent of the 175,053 non-relocation vehicles towed were placed into storage for more than 24 hours. The charts as a group

illustrate that a smaller percentage of trespassing vehicles are placed into storage for more than 24 hours than other types of towed vehicles.

FIGURE 3: Percentage of Towed Vehicles Stored more than 24 hours

However, as FIGURE 4 illustrates, 43 percent of the trespassing vehicles placed into storage for more than 24 hours are unclaimed, which is a higher percentage of unclaimed vehicles than other towed vehicles that are stored for more than 24 hours.

FIGURE 4: Percentage of Stored Vehicles Unclaimed by Owner

Relocator Towing Contracts

The Commission's regulations require that a relocater must have a written authorization (contract) from the property owner or person in lawful authority or possession of the property, prior to removing any vehicle from the private property without the consent of the owner. Further, before a trespassing vehicle may be removed from private property, the relocater must have posted appropriate signs stating the relocater's name, address, telephone number and the amount of the towing and storage charge. Contracts are subject to review by the Commission and the private property lots are subject to inspection to assure signs are properly posted and displayed.

At the end of 2002, licensed relocators reported 29,220 active contracts with private property owners to remove trespassing vehicles, but all contracts did not result in tows. The number of contracts per relocation towing company varied from 0 to 5000, averaging four tows per contract.

ANALYSIS OF ANNUAL REPORT PART IV: FINANCIAL INFORMATION

The 55 relocation towers reported total revenue from all regulated and non-regulated operations of \$40,525,667 and total expenditures of \$39,089,642. The total of relocation towing, storage and other relocation receipts account for 32.9 percent of the total company revenues and 33.3 percent of the total company expenses. FIGURE 5 shows revenue, expense and net income or loss for the three components of relocation (towing, storage and other relocation activity), as well as the total non-relocation revenue and expense. Each section of the bar chart is discussed separately.

Relocation Towing

Relocators generated \$12,416,553 from towing trespassing vehicles, after refunds of \$252,675 for improper tows or complaint resolutions. Relocation towing expenses were reported as \$11,002,382 thereby producing a net income of \$1,414,170 or an 88.6 percent operating ratio for relocation towing activity. The average relocation tow generated revenue of \$107.73 per tow with an average expense of \$93.55 per tow.

Relocation Storage

Relocators generated \$603,224 in storage revenue but incurred \$1,138,029 of storage expenses resulting in an operating ratio of 188.7 percent and a loss of \$534,805 for the storage of vehicles that were towed from private property. Along with the towing rate increase that was effective April 24, 2002, the Commission also granted a storage rate increase from \$15 per day to \$25 per day after the first 24 hours.

Other Relocation

Other relocation operating revenue and expense are generated from sale of scrapped and unclaimed vehicles, signage and miscellaneous relocators revenues. The relocation company incurs additional expenses in the legal and administrative process required to dispose of unclaimed vehicles as well as maintain signs and contracts. During 2002, relocators generated \$229,249 in revenue from other than relocators towing or storage activity and incurred \$872,866 in expenses, resulting in an operating ratio of 291.7 percent and a net operating loss of \$573,617.

Net Relocation

In 2002, relocation companies aggregated \$13,319,025 in total revenue from relocation towing, storage and other relocation operations while incurring \$13,013,278 in expenses thereby resulting in an operating ratio for relocation activity of 97.7 percent or a net income of \$305,748. However, there is a large variance among companies: 7 companies have an operating ratio for relocation activity that is greater than 450 percent and 11 companies have an operating ratio for relocation activity that is less than 60 percent.

Non-Relocation

As reported in Part 1, of the 55 licensed companies, 41 are engaged in towing activity other than regulated towing of trespassing vehicles. During 2002, these 41 companies generated revenues of \$27,328,141 in non-regulated towing, storage and other activities and incurred expenses of \$26,119,544 resulting in an operating ratio of 95.6 percent or a net operating profit of \$1,208,598 for all non-relocator operations.

Total Company

Total company revenues from regulated relocation of trespassing vehicles and non-regulated operations were \$40,525,667 with total expenses of \$30,089,642 generating a net profit from all operations of \$1,436,025. The operating ratio for all 55 companies relocation and non-relocation activity was 96.5 percent.

SUMMARY & CONCLUSION

Eight of the 55 regulated companies, or 15 percent, do solely relocation towing. For half of the companies, relocation tows account for less than 25 percent of their towing activity.

The majority of vehicles are claimed within 24 hours. However, a smaller percentage of trespassing vehicles are placed into storage for more than 24 hours than other types of towed vehicles and a higher percentage of relocated vehicles are unclaimed than other towed vehicles.

Despite suffering a net loss from relocation storage and other relocation operations, the relocation of trespassing vehicle operations, as a whole, aggregated \$13,319,025 in total revenue while incurring \$13,013,278 in

expenses, netting a profit of \$305,748, producing an operating ratio of 97.7 percent. Relocators reported \$40,525,667 in total company revenues and \$30,089,642 in total company expenses, a net income of \$1,436,025 for all regulated and non-regulated towing operations in total.

The annual report information includes operating and financial information for regulated and non-regulated towing operations, as well as joint expenses for usage of facilities, equipment and personnel. Relocators were contacted to improve the quality of the data. Nonetheless, a wide range in operating ratios makes generalization regarding the industry as a whole difficult, if not impossible. The annual report data used in this analysis was self-reported and not audited to assure that there were no material misstatements of financial or operational information.